February 7, 2024

DEG: The Digital Entertainment Group today released its Year-End 2023 Digital Media Entertainment Report compiled by DEG members, tracking sources and retail/platform input.[1]

U.S. Consumer Spending on Digital Entertainment Consumed at Home and on the Go Grew by More Than $6 billion in 2023, Reaching $43 Billion

Ad Revenue from AVOD/FAST Channel Streaming Surpassed $17 Billion, According to Omdia

Overall U.S. consumer spending across digital and physical home entertainment formats in 2023 was $43 billion, a 16.8 percent increase from the almost $37 billion consumers spent in 2022, driven by the continued growth of SVOD, as well as theatrical new releases offered for digital purchase in premium and traditional windows.

Consumers spent $41.4 billion on digital entertainment purchases (EST[2]), rentals (VOD[2]) and subscriptions for the full year, a jump of 19.3 percent over full year 2022. Spending on subscription streaming rose 21.5 percent for full year 2023, topping $37 billion.

In the year's final quarter, overall consumer spending rose more than 20 percent, representing just over $11.7 billion, with box-office spending on the titles released to the home in the fourth quarter almost tripling over the year earlier period. New theatrical releases are historically a key driver of home entertainment spending. Because of this, however, announced delays in 2024 theatrical releases due to the Hollywood strikes may have an adverse impact in the next few quarters.

Consumers spent more than $11.2 billion on digital entertainment purchases (EST), rentals (VOD) and subscriptions in the fourth quarter of 2023, an increase of 22.7 percent.

<u>Among the highlights for the Fourth Quarter and Full Year 2023:</u>

- U.S. consumer spending on subscription streaming[3] rose above $10.1 billion in fourth quarter 2023, with robust growth of almost 25 percent.

- Consumer spending on digital purchases (EST) in premium and standard windows continued to grow in the fourth quarter, with purchases rising 7 percent overall and more than 30 percent for theatrical titles, driven by strong home demand for some of the year's biggest box-office performers, including *Barbie*, *The Hunger Games: The Ballad of Songbirds and Snakes, Indiana Jones and the Dial of Destiny*, Mission Impossible: Dead Reckoning Part 1, *Oppenheimer*, and *The Super Mario Bros. Movie*. Spending on digital purchases of theatrical titles was up more than 13 percent for the full year.

- The title slate also drove growth in digital rentals during the final quarter of the year, with overall consumer spending up 11.5 percent and theatrical title spending up 15 percent. Growth in digital rentals (VOD) is also reflective of continued cord-cutting and changing consumer behavior: Internet-delivered rentals were up 18 percent while cable/satellite rentals fell almost 20 percent.

- The strong quarterly performance in theatrical new releases also benefited premium physical formats, with spending on purchases of 4K UHD Blu-ray titles up 15 percent for the quarter. Fans seeking to watch *Oppenheimer* at home in the best picture quality possible reportedly drove retail shortages of the title.

- Spending on physical disc rental fell by more than 50 percent in the fourth quarter, following Netflix's September exit from the physical subscription business. As a result of this physical rental sector shrinkage, DEG reports going forward in 2024 will tally only sell-through of physical disc product.

- Among the full year's best-performing titles across all transactional formats, were *Avatar: The Way of Water* (Disney), *Dungeons & Dragons: Honor Among Thieves* (Paramount), *Equalizer 3* (Sony), *The Flash* (WBD), *Guardians of the Galaxy Vol. 3* (Disney), *John Wick: Chapter 4* (Lionsgate), *Meg 2: The Trench* (WBD), *Plane* (Lionsgate), *Puss in Boots: The Last Wish* (Universal), *Spider-Man: Across the Spider-Verse* (Sony), *The Super Mario Bros. Movie* (Universal), and *Transformers: Rise of the Beasts* (Paramount).

- Ad-supported premium AVOD and FAST content reached an estimated advertising revenue of $17.2 billion in 2023 according to estimates from Omdia[4], as more major streamers diversified their offerings to include lower cost subscription plans with ads. Omdia estimates show ad revenue grew by more than 10 percent for the full year. In the final quarter of the year, revenue from AVOD and FAST was just under $5 billion, representing growth of 16.5 percent.

For additional information, please email Marcy Magiera (Marcy@degonline.org).

[1] Please note, these numbers are preliminary. Contact DEG for an updated version in March.
[2] Digital transaction spending (EST and VOD) includes premium releases, but not Disney+ Premier Access titles.
[3] SVOD data sourced from Omdia.
[4] Represents revenue from AVOD (ad-supported video on demand) and FAST (free ad-supported streaming TV) services specializing in premium, typically long-form, content.
- Includes Discovery+, Disney+, Freevee, HBO Max, Hulu, LG Channels, Netflix, Paramount+, Peacock, Pluto TV, Roku Channel, Samsung TV+, Tubi, Vix, Vizio WatchFree+, as well as legacy TV Everywhere services and other premium AVOD/FAST.
- Excludes social video services such as YouTube or TikTok.
- For hybrid services, such as Hulu, the data represents only the advertising revenue and does not include subscription revenue generated by the hybrid tier.
Note: Data represents U.S. only and is preliminary.

For reference, DEG provides a list of digital entertainment terms and definitions on its web site here.

Prepared by: J. McCourt
Email: jmccourt@redhillgroup.com
Phone: 949.752.5900 ext. 1
1.25.2024

2023 Year End Home Entertainment Spending

U.S. Consumer Spending

($ in millions)	Q-4 2022	Q-4 2023	Q4-YOY	YTD 2022	YTD 2023	YOY
Physical Product*	$ 552.22	$ 440.23	-20.28%	$ 2,085.22	$ 1,557.28	-25.32%
Digital**						
Electronic Sell-Thru (EST)	$ 666.31	$ 713.27	7.05%	$ 2,512.94	$ 2,637.27	4.95%
VOD	$ 367.54	$ 409.86	11.52%	$ 1,676.08	$ 1,688.44	0.74%
Subscription Streaming (SVOD)***	$ 8,152.16	$ 10,146.38	24.46%	$ 30,524.40	$ 37,085.41	21.49%
Total Digital	$ 9,186.01	$ 11,269.52	22.68%	$ 34,713.42	$ 41,411.11	19.29%
Total U.S. Home Entertainment Spending	$ 9,738.23	$ 11,709.74	20.25%	$ 36,798.64	$ 42,968.39	16.77%
Box Office in Billions	$ 0.88	$ 2.48	181.91%	$ 7.35	$ 9.57	30.19%

*Physical Product represents consumer spending for sell-thru and rental disc transactions.

**Digital transaction spending (EST and VOD) includes premium releases, but not Disney+ Premier Access titles.

**SVOD data sourced from Omdia (technology.informa.com). Disclaimer: The data is not an endorsement and reliance is at a third party's own risk.

Disclaimer: This report contains information compiled from sources that the DEG believes have accurately reported such information, but which the DEG has not independently checked or verified. As such, the DEG does not warrant its accuracy or reliability. The report is not intended to provide investment or securities advice.